

**FISCAL NOTE**  
**SB 1354 - HB 1604**

April 14, 2005

**SUMMARY OF BILL:** Creates the Tennessee Comprehensive Health Insurance Pool (TCHIP). Requires that all health insurance issuers and providers of health plan benefits and all persons and entities operating health maintenance organizations (HMOs) in this state would be required to become members of the pool. The Commissioner of Finance and Administration would select an 11-member board of directors for the pool which would submit an annual funding plan and an operation plan for the pool. The board would also submit an annual financial report to the standing committees of the General Assembly. A pool administrator would provide for eligibility and administrative claim payment functions. Individuals who have been a resident of the state for at least one year are eligible except for: persons who have or who are eligible for equivalent coverage under another health plan; persons eligible for TennCare; persons with terminated pool coverage; any person on whose behalf the pool has paid out \$1,000,000 in benefits; or inmates of public institutions and persons whose benefits are duplicated under other public programs. Premium rates are not to be greater than 150% of the standard risk rate. Employers and insurers are prohibited from coercing any individual to participate in the pool. Pool members who fail to pay an assessment, provide information necessary to make assessments, or register in accordance with this bill are subject to civil penalties of \$100 to \$1000.

**ESTIMATED FISCAL IMPACT:**

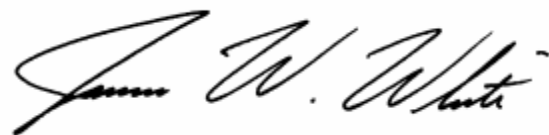
**Increase State Expenditures – Exceeds \$2,400,000**

Assumptions:

- The state appropriation would be required to fill the potential gap between the premiums raised and the anticipated plan expenses.
- Premiums from the plan participants will account for approximately 50% of the overall plan expenses with the other half of the operational expenses being provided by a combination of state appropriation and industry assessment.
- The premium is based on the average employee premium of the state health plans, the per capita benefit payments and a \$30 administrative fee.
- The state appropriation, based on 150% of the average premium per 1,000 enrollees, is estimated at \$2.2 million.
- Start up costs includes procurement of plan administrator, procurement of actuary, actuarial services, and benefits consulting estimated at \$60,000.
- Ongoing operations and oversight for the Division of Insurance and Administration include an F&A program director, an administrative secretary, an Insurance Benefit Analyst 2 position, work stations, consulting and actuarial services estimated at \$189,295.

**CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director